

109TH CONGRESS
1ST SESSION

H. R. 4221

To amend the Internal Revenue Code of 1986 to provide special rules for the exchange or installment sale of certain agricultural property.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 3, 2005

Mr. ADERHOLT introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide special rules for the exchange or installment sale of certain agricultural property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Farmers Tax Deferral
5 Act”.

6 **SEC. 2. SPECIAL RULES FOR EXCHANGE OF QUALIFIED AG-**
7 **RICULTURAL PROPERTY FOR REAL PROP-**
8 **ERTY.**

9 (a) TREATED AS LIKE KIND WITH REAL PROP-
10 ERTY.—Section 1031 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
 2 subsection:

3 “(i) QUALIFIED AGRICULTURAL PROPERTY TREAT-
 4 ED AS LIKE KIND WITH REAL PROPERTY.—For purposes
 5 of this section—

6 “(1) IN GENERAL.—In the case of the exchange
 7 of qualified agricultural property for real property
 8 held either for productive use in a trade or business
 9 or for investment, such qualified agricultural prop-
 10 erty and such real property shall be treated as prop-
 11 erty of a like kind.

12 “(2) QUALIFIED AGRICULTURAL PROPERTY.—
 13 The term ‘qualified agricultural property’ means—

14 “(A) any single purpose agricultural or
 15 horticultural structure (as defined in section
 16 168(i)(13)), and

17 “(B) any equipment or fixtures which are
 18 related in use to such structure.”.

19 (b) ORDINARY INCOME RECAPTURE DEFERRED
 20 UNTIL DISPOSITION OF REAL PROPERTY ACQUIRED IN
 21 EXCHANGE.—

22 (1) IN GENERAL.—Subsection (b) of section
 23 1245 of such Code is amended by adding at the end
 24 the following new paragraph:

1 “(9) SPECIAL RULE FOR LIKE KIND EX-
2 CHANGES OF QUALIFIED AGRICULTURAL PROP-
3 ERTY.—

4 “(A) IN GENERAL.—If qualified agricul-
5 tural property (as defined in section 1031(i)) is
6 disposed of and gain (determined without re-
7 gard to this section) is not recognized in whole
8 or in part under section 1031, then the amount
9 of gain taken into account by the transferor
10 under subsection (a)(1) shall not exceed the
11 sum of—

12 “(i) the amount of gain recognized on
13 such disposition (determined without re-
14 gard to this section), plus

15 “(ii) the fair market value of property
16 acquired which is not taken into account
17 under clause (i) and which is not—

18 “(I) section 1245 property, or

19 “(II) real property held either for
20 productive use in a trade or business
21 or for investment.

22 “(B) ORDINARY INCOME RECAPTURE ON
23 DISPOSITION OF REAL PROPERTY ACQUIRED IN
24 EXCHANGE.—If real property the fair market
25 value of which is taken into account under sub-

1 paragraph (A)(ii)(II) in determining the gain
2 on the disposition of any qualified agricultural
3 property is disposed of by the transferee, the
4 lesser of—

5 “(i) the excess of—

6 “(I) the amount realized on the
7 disposition of such real property (in
8 the case of a disposition other than a
9 sale, exchange, or involuntary conver-
10 sion, the fair market value of such
11 real property), over

12 “(II) the adjusted basis of such
13 real property, or

14 “(ii) the amount of gain that would
15 have been treated as ordinary income
16 under this section if such qualified agricul-
17 tural property were sold at fair market
18 value on the date of the disposition of such
19 structure,

20 shall be treated as ordinary income. Such gain
21 shall be recognized notwithstanding any other
22 provision of this subtitle.”.

23 (2) CONFORMING AMENDMENT.—Paragraph (4)
24 of section 1245(b) of such Code is amended by strik-

1 ing “If” and inserting “Except as provided in para-
2 graph (9), if”.

3 (c) EFFECTIVE DATE.—

4 (1) SUBSECTION (a).—The amendments made
5 by subsection (a) shall apply to transfers after the
6 date of the enactment of this Act.

7 (2) SUBSECTION (b).—The amendments made
8 by subsection (b) shall apply to dispositions after the
9 date of the enactment of this Act.

10 **SEC. 3. SPECIAL RULES FOR INSTALLMENT SALES OF**
11 **QUALIFIED AGRICULTURAL PROPERTY.**

12 (a) IN GENERAL.—Subsection (i) of section 453 of
13 the Internal Revenue Code of 1986 is amended by redesign-
14 ating paragraph (2) as paragraph (3) and by inserting
15 after paragraph (1) the following new paragraph:

16 “(2) SPECIAL RULE FOR QUALIFIED AGRICUL-
17 TURAL PROPERTY.—Notwithstanding paragraph (1),
18 in the case of any installment sale of qualified agri-
19 cultural property (as defined in section 1031(i)) to
20 which subsection (a) applies—

21 “(A) income from the installment sale shall
22 be taken into account under the installment
23 method, and

24 “(B) income recognized for any taxable
25 year from such sale under such method shall be

1 recognized as recapture income in such year in
2 the same proportion to such income recognized
3 for such year from such sale as—

4 “(i) the aggregate recapture income
5 from such sale (recognized or to be recog-
6 nized when payment is completed), bears
7 to

8 “(ii) the aggregate income from such
9 sale (so recognized or to be recognized).”.

10 (b) CONFORMING AMENDMENT.—Paragraph (3) of
11 section 453(i) of such Code, as redesignated under this
12 section, is amended by striking “paragraph (1)” and in-
13 serting “this subsection”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to sales after the date of the enact-
16 ment of this Act.

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